UNITED STATES DISTRICT COURT

DISTRICT OF MINNESOTA

RENE LEBLANC, Individually and On Behalf of All Others Similarly Situated, Plaintiff, vs. BEST BUY CO., INC., BRIAN J. DUNN, JAMES L. MUEHLBAUER and MICHAEL A. VITELLI, Defendants.	**CIVIL ACTION NO.** CLASS ACTION COMPLAINT **JURY TRIAL DEMANDED**

Plaintiff, Rene LeBlanc ("Plaintiff"), alleges the following based upon the investigation of Plaintiff's counsel, which included, among other things, a review of defendants' public documents, conference calls and announcements, United States Securities and Exchange Commission ("SEC") filings, wire and press releases published by and regarding Best Buy Co., Inc. ("Best Buy" or the "Company") and securities analysts' reports and advisories about the Company. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION AND OVERVIEW

1. This is a federal class action on behalf of purchasers of the securities of Best Buy, who purchased or otherwise acquired Best Buy securities between September 14, 2010 and December 13, 2010, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. Best Buy describes itself as a multinational retailer of technology and entertainment products and services. The Best Buy family of brands includes brands such as Best

Buy, Audiovisions, Best Buy Mobile, The Carphone Warehouse, Five Star, Future Shop, Geek Squad, Magnolia Audio Video, Napster, Pacific Sales, and The Phone House. At relevant times, Best Buy conducted business in two operating segments: International and United States. The Company derived the majority of its operating profits and sales from the U.S. segment's sales.

3. Prior to and throughout the Class Period, Best Buy touted the strong demand for its consumer electronic products and forecasted fiscal year 2011 earnings per share ("EPS") of up to $3.70. Further, the Company maintained that its 2011 earnings forecast was independent of the impact of the Company's share repurchases. As a result of these positive statements, Best Buy stock closed as high as $44.81 per share during the Class Period.

4. However, on December 14, 2010, Best Buy astounded investors when it announced its third quarter 2011 results, and disclosed that product sales were declining, and had been declining since June 2010. The Company stated that "newer technologies" had "been slower to take hold," that the notebook market was weaker than expected, that the gaming sector "lagged expectations," and that the Company's top-line growth assumptions "turned out to be too aggressive." Further, the Company drastically lowered its 2011 earnings forecast to a range of between $3.20 to $3.40 per share from its previous range of between $3.55 to $3.70 per share. Moreover, Best Buy disclosed that it had repurchased 11 million shares of Company stock during the quarter (which, when added to prior quarters' share repurchases, means that in the first three quarters of fiscal 2011 it had repurchased over 31 million shares of Company stock). This repurchasing activity would have a $0.12 per share positive impact on Best Buy's lowered fiscal 2011 EPS forecast, indicating that, but for these repurchases, Best Buy would expect lowered fiscal 2011 EPS of as low as $3.08 per share.

5. Upon the release of this news, shares of the Company's stock fell $6.18 per share,

or 14.82 percent, to close on December 14, 2010 at $35.52 per share, on unusually heavy trading volume. Best Buy's stock continued to decline the following day, falling an additional $1.02 per share, to close on December 15, 2010 at $34.50 per share.

6. The Complaint alleges that, throughout the Class Period, defendants failed to disclose material adverse facts about the Company's financial well-being, business operations and prospects. Specifically, defendants failed to disclose or indicate the following: (1) that demand for the Company's electronic products was declining and/or weak; (2) that as a result, the Company would be unable to achieve its fiscal 2011 sales, revenue and earnings forecasts; (3) that the Company's fiscal 2011 earnings forecast could not be achieved without a reduction of SG&A expenses, significant earnings management, and share repurchases; (4) that the Company lacked adequate internal and financial controls; and (5) that, as a result of the foregoing, the Company's statements about its financial well-being and prospects, including its annual EPS guidance of $3.70, lacked any reasonable basis when made.

7. As a result of defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class Members suffered damages.

JURISDICTION AND VENUE

8. The claims asserted herein arise under and pursuant Sections 10(b) and 20(a) of the Exchange Act, (15 U.S.C. §§ 78j(b) and 78t(a)), and Rule 10b-5 promulgated thereunder (17 C.F.R. § 240.10b-5).

9. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1331.

10. Venue is proper in this District pursuant to pursuant to Section 27 of the Exchange

Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b). Many of the acts and transactions alleged herein, including the preparation and dissemination of materially false and misleading information, occurred in substantial part in this District. Additionally, Best Buy's principal executive offices are located within this District.

11. In connection with the acts, conduct and other wrongs alleged in this Complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce.

PARTIES

12. Plaintiff, Rene LeBlanc, as set forth in the accompanying certification, incorporated by reference herein, purchased Best Buy securities at artificially inflated prices during the Class Period and has been damaged thereby.

13. Defendant Best Buy is a Minnesota corporation with its principal executive offices located at 7601 Penn Avenue South, Richfield, Minnesota.

14. Defendant Brian J. Dunn ("Dunn") was, at all relevant times, the Company's Chief Executive Officer ("CEO").

15. Defendant James L. Muehlbauer ("Muehlbauer") was, at all relevant times, the Company's Chief Financial Officer ("CFO").

16. Defendant Michael A. Vitelli ("Vitelli") was, at all relevant times, Executive Vice President and President of Americas.

17. Defendants Dunn, Muehlbauer and Vitelli are collectively referred to hereinafter as the "Individual Defendants." The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Best Buy's reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e., the market. Each defendant was provided with copies of the

Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each "group-published" information, the result of the collective actions of the Individual Defendants.

SUBSTANTIVE ALLEGATIONS

Background

18. Best Buy describes itself as a multinational retailer of technology and entertainment products and services. The Best Buy family of brands includes brands such as Best Buy, Audiovisions, Best Buy Mobile, The Carphone Warehouse, Five Star, Future Shop, Geek Squad, Magnolia Audio Video, Napster, Pacific Sales, and The Phone House. At relevant times, Best Buy conducted business in two operating segments: International and United States. The Company derived the majority of its operating profits and sales from the U.S. segment's sales.

Pre-Class Period Statements

19. On March 25, 2010, the Company issued a press release entitled "Best Buy's Fourth Quarter Diluted EPS Increases to $1.82." This press release reported Best Buy's 2010 fourth quarter and fiscal year results ending February 26, 2010. This press release set forth, in relevant part:

> **Fiscal 2010 Annual Results**
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> "The company delivered strong results in fiscal 2010 and we are very pleased with our performance given the environment of the past 12 months," said Jim Muehlbauer, Best Buy's executive vice president of finance and CFO. "We

delivered a comparable store sales gain for the year, capitalized on market share opportunities and managed expenses to deliver a financial outcome well above the expectations we had at the beginning of the year."

For fiscal 2010, Best Buy's financial results included:

- Total revenue of $49.7 billion, a 10 percent increase year-over-year. Online revenues increased 20 percent to approximately $2 billion.
- The company believes domestic market share increased 240 basis points during the 12-months ended Jan. 31, 2010, versus the prior-year period.
- GAAP net earnings of $3.10 per diluted share, a 30 percent increase year-over-year, versus net earnings per diluted share of $2.39 in fiscal 2009.

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Best Buy Establishes Fiscal 2011 EPS Outlook of $3.45 to $3.60

"In fiscal 2010, we made a deliberate effort to profitably acquire new customers with the purpose of introducing them to the benefits of our connected world strategy. In fiscal 2011, we plan to capitalize on these actions to create stronger relationships with our customers and improve profits," said Muehlbauer.

The company's guidance range for the fiscal year ending on Feb. 26, 2011, includes the following assumptions:

- Revenue of $52.0 billion to $53.0 billion, an increase of 5 percent to 7 percent.
- A comparable store sales increase of 1 percent to 3 percent.

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- ***Earnings per diluted share of $3.45 to $3.60, which represents an increase of 10 percent to 14 percent versus fiscal 2010's adjusted diluted EPS.***

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The company noted that it has $2.5 billion remaining under its existing board-approved share repurchase authorization and intends to resume share repurchases. However, the impact of potential share repurchases has not been included in the company's fiscal 2011 diluted EPS guidance. [Emphasis added.]

20. Also on March 25, 2010, the Company conducted an earnings conference call with investors and financial analysts. During the call, defendants Dunn and Muehlbauer stated the following:

[Dunn]: This morning we reported adjusted net earnings for Fiscal 2010 of $3.15 per diluted share which I'm pleased to point out was at the very top end of our full year guidance range and substantially better than our original guidance. These results would not be possible without the exceptional work of our employees

around the world. The strategic bet we're making that as technology continues to march forward, people, our people, will be the key core differentiator for Best Buy. Our customers want and often need someone they can trust to help them navigate the complexities of our increasingly connected world. This year's results give me confidence that our people continue to be Best Buy's key point of differentiation.

Calendar 2009 will go down as one of the most challenging years the world economy has faced. ***Experts said that rising unemployment would derail consumer spending for the year particularly on high ticket discretionary goods. Consumers were going to retrench, increase savings and reduce their personal debt. Value would determine what and from whom consumers would make their purchases.***

And the experts were right. Most of these things did happen, but you know what? Other trends emerged that the experts didn't see. *Best Buy* ***experienced significant year-over-year increases in unit volumes in each of the three major screens; notebooks, televisions and mobile phones. In fact, each one of these categories experienced large enough increases in volume to offset price declines to the tune of double digit comp growth in notebooks and mobile phones, and mid single digit comps in TVs.*** What do all of these trends tell me? For starters, they tell me that staying connected has become a non-negotiable for millions of people and that some of the things we offer no longer fall under the category of discretionary purchases. These solutions have become such integral elements in people's lives that they have little or no tolerance for any kind of disruption if things aren't working the way they should, and each additional mobile phone, notebook computer and television gives us an opportunity to introduce customers to the world of connectivity.

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[Muehlbauer]: For those of you that have been following us closely over the past several years, you probably recall that we have utilized both of these levers to improve ROIC and invest in our business. ***As a matter of fact, over the past five years we have returned approximately $5.8 billion to shareholders in the form of share repurchases and dividend payments. So, while I anticipate that we will return to the market to buyback shares, our earnings and EPS guidance for fiscal 2011 does not reflect the impact of share repurchases.*** [Emphasis added.]

21. On June 15, 2010, the Company issued a press release entitled "Best Buy Reports First Quarter Diluted EPS of $0.36." This press release set forth, in relevant part:

Best Buy Co., Inc. (NYSE:BBY), a leading retailer of consumer electronics, today reported net earnings of $155 million, or $0.36 per diluted share, for its fiscal first quarter ended May 29, 2010, compared with $153 million, or $0.36 per diluted share, for the prior-year period. Diluted earnings per share decreased 14 percent

versus the prior-year period's adjusted diluted earnings per share of $0.42, which excluded the impact of restructuring charges incurred in the prior year's fiscal first quarter. A reconciliation of adjusted diluted earnings per share and other non-GAAP financial measures for the first quarter of fiscal 2010 are presented in the appendix attached to this news release.

"There were many positive indicators in the first quarter, highlighted by the excellent performance of Best Buy Mobile," said Brian Dunn, CEO of Best Buy. ***"These indicators, coupled with the business model changes we are making to create better solutions for the millions of connectable devices we sell, give me confidence in our ability to achieve our financial goals this year."***

Company Reports Improved Domestic Market Share and Gross Profit Performance

During the first quarter of fiscal 2011, Best Buy's revenue increased 7 percent to $10.8 billion, compared with revenue of $10.1 billion for the first quarter of fiscal 2010. The increase reflected the impact of net new stores in the past 12 months, a comparable store sales gain of 2.8 percent and the favorable impact of fluctuations in foreign currency exchange rates. ***The domestic segment's fiscal first quarter revenue totaled $7.9 billion, an increase of 5 percent versus the prior-year period.*** This increase was driven by the addition of net new stores and a comparable store sales gain of 1.9 percent. The comparable store sales gain was driven primarily by an increase in average ticket. The domestic segment experienced low double-digit comparable store sales increases in notebook computers, mobile phones and appliances. These gains were partially offset by comparable store sales decreases in gaming, music and movies. The company also noted that it experienced a low-single digit comparable store sales decline in televisions driven by a high single-digit increase in unit sales offset by moderating price declines. The company also noted that online revenue increased approximately 26 percent in the first fiscal quarter versus the prior-year period.

The company believes its domestic segment continued to gain market share, increasing by an estimated 100 basis points for the three months ended Apr. 30, 2010, as compared to the prior-year period. The company also noted that, as expected, its market share growth slowed versus the comparable period last year as it lapped significant market share gains from changes in the competitive environment.

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Company Affirms Fiscal 2011 Annual Guidance

"While our financial results in the fiscal first quarter were below expectations, we remain confident that the strategic investments we are making will deliver more robust connected solutions for customers and support increased margin expansion during the fiscal year," said Jim Muehlbauer, Best Buy's executive vice president of finance and CFO. "We continue to expect solid top-line growth and expansion of our annual operating margin to approximately 5 percent of revenue in fiscal 2011."

> ***The company also reiterated its fiscal 2011 outlook and annual diluted EPS guidance as provided on March 25, 2010.*** [Emphasis added.]

22. Also on June 15, 2010, the Company held an earnings conference call with investors and financial analysts. During the call, the Individual Defendants stated the following:

> [Dunn]: I'll wrap up my comments now by reiterating that ***while I'm neither pleased nor satisfied with our first-quarter financial results, it does not change my confidence that we can and will deliver our annual guidance and drive value for the long-term.***
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> [Muehlbauer]: Taking a deeper look at some of the specific headlines for the quarter, top-line revenue grew 7% to nearly $10.8 billion. Total comparable-store sales grew 2.8% versus last year, which included domestic comparable-store sales growth of 1.9%, driven primarily by continued strength of connected business lines, like Best Buy Mobile and mobile computing. While we saw slight comparable-store sales declines in some of our categories, like gaming and home theater, our market share remained essentially in line with expectations. This data point tells us that the top-line softness to our plan was driven primarily by choppiness and lower spending in the category by consumers.
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> ***Finally, we continue to expect to deliver our financial goals for the year. We are maintaining our annual guidance expectations of strong EPS growth of 10% to 14%, driven by top-line growth and expansion of our operating margins.***
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> ***[W]e've not changed our guidance expectations for the top line, either in total revenue growth or in comp sales.***
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> [Analyst]: [W]hat signs are you seeing in terms of the slowing growth to give you confidence that this is just the consumer perhaps waiting for new products to come out rather than perhaps a greater maturity of the product category than what you had previously thought?
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> [Vitelli]: It's because of the back-order situation you'd see in some new categories so you know that the consumer demand is out there. It's something that the production capability has to catch up to, and we clearly see multiple manufacturers and their product plans as they move through the rest of the year.
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> [Analyst]: One more question on the guidance, if you don't mind. I certainly understand, you made it quite clear that your SG&A spending for the year is unchanged. However, in the first quarter, to be fair, your revenues did fall short of

expectations. When you look at the guidance for the full year, is your confidence still in the $3.45 to $3.60 range predicated on recapturing those revenues, or do you think that SG&A spending may actually be lower than what was first anticipated? And then as a follow up, does your guidance now for the year assume a continued stronger dollar and what's the incremental benefit to your full-year guidance from the stronger dollar?

[Muehlbauer]: A couple of pieces there, Alan. ***So we've maintained all aspects of our guidance, so we still see the comp of 1% to 3% for the year. As I mentioned in my comments, Q1 has just not been a historically strong indicator of what consumer behavior is going to be for the year, so it's just too early to call out.*** So we did fall a little short of our plan in maintaining our guidance of 1% to 3%. Clearly we ex -- there's room in that guidance range but clearly we expect to recoup that as we move through the year given the product cycles we see coming and we'll have to see what happens during the key selling season around the holiday time, so no changes on that front. Correspondingly same with the EPS guidance. Based on what we see today in Q1, $3.45 to $3.60 is still the best range we have for the year.

Certainly we'll continue to evaluate it and move it and adjust it, like we have in previous years, when is *[sic]* we have a better indicator. But overall I think that the SG&A spend is -- what, I want to say, $30 million to $50 million more than our internal plans. So the balance of the SG&A spend for the entire year wasn't a huge mover and we have plenty of flexibility to moderate that overall. A point in reiterating our SG&A conversation is when you have a small dollar quarter like Q1, small changes in SG&A obviously have a big EPS impact. On balance for the year we still feel very good about the guidance range we have out there.

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[Analyst]: Okay. ***I guess still don't understand, all things being equal, how given your performance in Q1 you could be more optimistic about the remainder of the year than where you were in March?***

[Muehlbauer]: ***We're getting more optimistic***, Alan. I think what we're saying –

[Analyst]: Well, admittedly you fell short of your expectations in Q1, you're still backing guidance, which means that you have to exceed your original expectations in the remaining quarters. Is that not a fair assumption?

[Muehlbauer]: That is fair, but if you look at the weight of the business that's in Q1 versus previous quarters, Q1 is our smallest quar -- it's 10% of our year.

[Analyst]: Oh, okay.

> [Muehlbauer]: ***So as I look at the opportunity to make up that shortfall in Q1, we have significant opportunity to make it up in Q2, Q3, and especially Q4.*** [Emphasis added.]

23. On June 30, 2010, Best Buy participated in the Oppenheimer & Co. Consumer, Gaming, Lodging & Leisure Conference (the "Oppenheimer Conference"). The Oppenheimer Conference was hosted by Best Buy Senior Vice President of Finance and CFO, International, Dave Deno ("Deno") and Best Buy Vice President of Investor Relations, Bill Seymour. During the Oppenheimer Conference, Deno stated:

> Let's talk about our 2011 fiscal guidance and overview. Our square footage growth is going to be somewhere between 3% and 5%. ***And you can see our sales growth, from nearly $50 billion to $53 billion*** (Sic-see presentation slides). ***Comps will be somewhere between 1% and 3%, and we have in our plans operating margin expansion of 30 to 40 basis points.*** And a lot of that will come from continuing to make progress in our connectivity initiatives, which I talked about on the prior page.
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> ***If you look at our earnings per share growth, it's 10% to 14% over the year, $3.45 to $3.60, capital of about $850 million.*** And one of the beautiful things about Best Buy is we generate a lot of cash. We have gone back to the marketplace and done some -- a recommencement of our repurchase activity, and we also recently announced an increase in our dividend.
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> ***So our outlook for the year, even though our first quarter was a little bit weaker than we had hoped, is still unchanged.*** Significantly, the first quarter is only about 10% of our sales and earnings. ***So this is our guidance for the year, we are holding to it and expect to achieve these targets.*** [Emphasis added.]

Materially False and Misleading
<u>Statements Issued During the Class Period</u>

24. The Class Period begins on September 14, 2010. On this day, the Company issued a press release entitled "Best Buy's Second Quarter Diluted EPS Grows 62% Year-Over-Year to $0.60." The press release stated, in relevant part:

Best Buy Co., Inc. (NYSE:BBY), the world's leading retailer of consumer electronics, today reported net earnings of $254 million, or $0.60 per diluted share, for its fiscal second quarter ended August 28, 2010, compared with $158 million, or $0.37 per diluted share, for the prior-year period, up 61% and 62%, respectively.

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Company Reports Significant Operating Margin Improvement and Strong Earnings Growth

During the second fiscal quarter of 2011, Best Buy's revenue increased 3 percent to $11.3 billion, compared with revenue of $11.0 billion for the second fiscal quarter of 2010. The increase reflected the impact of net new stores in the past 12 months and essentially flat comparable store sales. The Domestic segment's fiscal second quarter revenue totaled $8.4 billion, an increase of 2 percent versus the prior-year period. This increase was driven by the addition of net new stores, partially offset by a comparable store sales decline of 1 percent. ***The comparable store sales results were driven primarily by a decline in customer traffic, partially offset by an increase in average ticket.*** The Domestic segment experienced a low double-digit comparable store sales increase in mobile phones, a high single-digit comparable store sales increase in appliances and a mid single-digit comparable store sales increase in mobile computers, which includes tablet computers. These gains were more than offset by comparable store sales decreases in TVs and entertainment hardware and software. ***The company noted that the low-double digit comparable store sales decline in TVs was driven by a low double-digit decline in unit sales and moderating price declines.*** The decline in TV unit sales was driven primarily by weaker overall consumer demand in the TV industry as well as the digital conversion that occurred during the second quarter of fiscal 2010. The company also noted that its online revenue increased approximately 16 percent in the second fiscal quarter versus the prior-year period.

The company believes that its domestic market share declined 50 basis points versus the comparable period last year for the three months ended July 2010. The decline was primarily driven by the impact of lost traffic associated with constrained inventory during the initial iPad launch which adversely impacted traditional mobile computing traffic, the continued decline in entertainment software and moderating market share gains in home theater due to last year's digital conversion. ***The company noted that it continues to expect to increase its market share for the full fiscal year.***

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Best Buy reported that gross profit dollars increased significantly faster than revenue, growing 9 percent in the fiscal second quarter versus the prior-year period. The company's gross profit rate for the fiscal second quarter was 25.7 percent of revenue, an increase of 130 basis points when compared to the second quarter of fiscal 2010. The Domestic segment gross profit rate for the fiscal second quarter was 25.8 percent, compared to 24.3 percent for the prior-year period. The 150 basis point year-over-year increase in the gross profit rate was

due primarily to the growth and improved gross profit rate of Best Buy Mobile and continued lower promotional and loyalty program costs driven by changes in key categories like home theater, portable electronics and appliances. Consistent with the first quarter, the classification of certain vendor support dollars from selling, general and administrative expense (SG&A) also contributed to the margin rate gain . . .

The company's SG&A rate for the fiscal second quarter was 22.1 percent of revenue, an increase of 30 basis points when compared to the prior-year period. The rate increase was driven primarily by lower sales leverage partially offset by reduced spending. SG&A dollar growth was driven primarily by the addition of new stores. The company noted, as expected, that its fiscal second quarter SG&A dollar growth rate of 4 percent declined sequentially versus its fiscal first quarter SG&A dollar growth rate of 12 percent.

During the second quarter of fiscal 2011, Best Buy's operating income increased 47 percent to $411 million compared with operating income of $280 million in the prior-year period. The Domestic segment reported fiscal second quarter operating income of $407 million, an increase of 29 percent when compared with operating income in the prior-year period.

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Stock Repurchase and Dividend

During the second quarter of fiscal 2011, the company repurchased approximately $600 million, or 17 million shares of its common stock at an average price of $34 per share. For the first half of fiscal 2011, the company repurchased approximately $700 million, or 20 million shares of its common stock at an average price of $36 per share. The company also noted that it has $1.8 billion remaining capacity under its $5.5 billion share repurchase authorization. On July 27, 2010, the company paid a dividend of 14 cents per common share, or $58 million in the aggregate.

Fiscal 2011 Annual Guidance Increased

"We have focused our efforts on improving operating margins and driving profitable growth in the business and are pleased with the progress we have made fiscal year-to-date in a challenging consumer spending environment," said Jim Muehlbauer, Best Buy's executive vice president and CFO. "Based on the strong operating margin performance in the first half and share repurchases made year-to-date through the fiscal second quarter, we are raising our earnings per share guidance by 10 cents to $3.55 to $3.70."

Based on the performance to date and the company's outlook for the year, guidance for the fiscal year ending on Feb. 26, 2011, includes the following assumptions:

- Revenue of approximately $52 billion, a year-over-year increase of 5 percent.
- Full-year comparable store sales increase of 1 percent to 2 percent.

- SG&A dollar year-over-year spend increase of approximately 6 percent.
- Operating income rate improvement of 40-to-55 basis points. Domestic segment operating income rate to improve at the high-end of this range.
- ***Earnings per diluted share of $3.55 to $3.70 which includes an estimated $0.10 cent favorable impact due to the share repurchases completed fiscal year-to-date and represents a 13 percent to 17 percent increase versus fiscal 2010's adjusted diluted EPS.*** The company noted that the earnings per share guidance continues to exclude the impact of potential share repurchases that may be completed in the second half of fiscal 2011. [Emphasis added.]

25. Also on September 14, 2010, the Company held an earnings conference call with investors and financial analysts. During the call, defendants Muehlbauer and Vitelli stated, in relevant part:

> [Muehlbauer]: Overall, revenue grew 3% to $11.3 billion on comparable store sales that were essentially flat versus last year. This revenue performance included domestic comparable store sales declines of 1.4%. This decline was driven primarily by softness in customer traffic patterns that resulted in lower sales across categories such as home theater, entertainment hardware, and software.
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> ***So looking at the results for the first half of fiscal 2011, while there are many moving pieces that we manage, like always, we are pleased that our earnings are essentially in line with our original expectations for the year, as strong gross profit rates and cost control plans work to offset softer top line growth, particularly in the domestic business.***
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> First, looking at revenue, given the softness experienced year-to-date, we have lowered our revenue expectations to approximately $52 billion. As a result, we now anticipate comp store sales growth of 1% to 2% for the full year, which translates to a comparable store sales estimate of up 1% to 3% for the back half of the fiscal year.
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> Bringing these assumptions together, we now expect to deliver 40 to 55 basis points of operating income improvement versus last year. Embedded in this estimate is the projection that the domestic business will come in at the top end of that range. In total, these assumptions, along with the favorable impact of share repurchase activity completed in the first half, now lead us to an earnings per

share guidance range for the year of $3.55 to $3.70, an increase of 13% to 18% versus last year, and $0.10 higher than our original range.

As you can see, we are essentially maintaining the operating expectations from our original guidance range, and just updating the impact of share repurchases made fiscal year-to-date. Overall, we are pleased that we are on track to deliver and exceed our annual EPS guidance.

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[Analyst]: Obviously the gross margin gains are very admirable and we applaud the move to buy back a significant amount of stock in the second quarter but, nevertheless, the revenue guidance is lower than what you originally articulated, and now you're looking for comps in the second half to be 1% to 3% in the wake of significantly more difficult compares. Jim, could you maybe just elaborate a little bit more on why you think the revenue line specifically is going to accelerate to a pretty significant extent in the back half of the year and in particular the holiday season?

[Muehlbauer]: Yes, thanks, Alan. As we look at the back half of the year, our comments, when we started the year, talked about we're understanding what a new normal looks like in this environment for customers. And I think Brian coined it early on, when he talked about we expect episodic drive time behavior for customers, and in between those episodes they would be rotating their spend to other categories, really being mindful of where their share of wallet goes, based on the needs of themselves and their families. ***We know during the holiday season that customers over-index their wallet share into CE products. We have no reason to believe that this holiday season is going to be any different. As a matter of fact what we have seen during several key drive times, and especially when we have new hot products, we have customer demand for those hot products.***

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[Analyst]: So I guess the question I have, as we went through the quarter, and we got closer to the traditionally stronger football season, and even maybe subsequent to the quarter's end, did you see an improving trend there in the TV category, particularly with some of the new technologies now in the stores?

[Vitelli]: Generally, not. Generally, the overall TV industry has been relatively flat. I think that's partially, as I said earlier, I think it's partially because the industry hasn't been very promotional in the first half.

As Jim mentioned, we believe, in fact, ***we know that it's going to get more exciting promotionally in home theater in the second half. I think there's been a lot of pent-up demand,*** both from a consumer point of view and from a manufacturer and retailer point of view, to get some exciting promotions going and I think we're going to see more of that in the second half. [Emphasis added.]

26. On Friday, November 26, 2010 (the day after Thanksgiving, often referred to as "Black Friday" – the beginning of the holiday shopping season when retailers open very early and offer promotional sales to kick off the season), Defendant Dunn was interviewed by *Bloomberg*. During the interview, Defendant Dunn made several statements about the Company's business operations and sales. For example, he stated, "I will tell you anecdotally, our lines are longer this year than they were last year to get into our building. So it's early but we're optimistic." Building on this point, Defendant Dunn stated, "[w]hat we're seeing so far, anecdotally of course, is we're estimating an 8 percent increase in our traffic year over year. And we're very enthusiastic about what we're seeing there. It's very early. The crowds are terrific." When asked what percentage of sales and/or profit the November to January period would account for, Defendant Dunn responded that the Company makes money year round, "[b]ut it would be disingenuous for me to say anything else than it's a really important part of our sales." With respect to demand, Defendant Dunn stated, "as the consumer gets more and more confidence, I think we're going to see that demand exercised." Defendant Dunn then stated that the Company's gaming section was "very, very hot," and that the Company was "seeing an awful lot of action in computing with both our tablets and netbook, notebook computer."

27. The statements contained in ¶¶ 24 - 26 were materially false and misleading when made because defendants failed to disclose or indicate the following: (1) that demand for the Company's electronic products was declining and/or weak; (2) that as a result, the Company would be unable to achieve its fiscal 2011 sales, revenue and earnings forecasts; (3) that the Company's fiscal 2011 earnings forecast could not be achieved without a reduction of SG&A expenses, significant earnings management, and share repurchases; (4) that the Company lacked

adequate internal and financial controls; and (5) that, as a result of the foregoing, the Company's statements about its financial well-being and prospects, including its annual EPS guidance of $3.70, lacked any reasonable basis when made.

<u>The Truth Begins to Emerge</u>

28. On December 14, 2010, the Company issued a press release entitled "Best Buy Reports Fiscal Third Quarter Diluted EPS of $0.54." Therein, the defendants announced that Best Buy's domestic market share would actually decline for fiscal year 2011 as compared to fiscal year 2010, and that the Company was drastically lowering its 2011 earnings forecast to a range of between $3.20 to $3.40 per share, down from its previous range of between $3.55 to $3.70 per share. The press release revealed, in relevant part:

> Best Buy Co., Inc. (NYSE:BBY), the world's leading retailer of consumer electronics, today reported net earnings of $217 million, or $0.54 per diluted share, for its fiscal third quarter ended November 27, 2010, compared with $227 million, or $0.53 per diluted share, for the prior-year period.
>
> "I am grateful for the hard work and dedication of our employees in the start of the holiday shopping season," said Brian Dunn, CEO of Best Buy. "While sales were lower than we expected during the quarter, I'm pleased with our strong store execution, solid gross margin expansion and efforts to control costs. I'm confident that our employees will continue to deliver great experiences that help our customers select the best gifts for their friends and family this holiday season."
>
> **Continued Strong Improvement in Gross Margin**
>
> ***During the fiscal third quarter of 2011, Best Buy's revenue decreased 1 percent to $11.9 billion, compared with revenue of $12.0 billion for the third fiscal quarter of 2010. The decrease reflected a 3.3 percent decline in comparable store sales,*** partially offset by the impact of net new stores in the past 12 months. The Domestic segment's fiscal third quarter revenue totaled $8.7 billion, a decrease of 3 percent versus the prior-year period. The decrease was driven by a comparable store sales decline of 5.0 percent, as it lapped strong comparable store sales results from the previous year, partially offset by the addition of net new stores in the past 12 months. ***The company noted that the Domestic segment's revenue declined more than expected, driven primarily by larger than expected industry declines in key U.S. consumer electronics categories for the three months ended October 31, 2010, as well as a decline in the company's estimated domestic market share for such period. The Domestic segment experienced a low-double digit comparable store sales decline in TVs and entertainment***

hardware and software. The company noted that the domestic comparable store sales decline in TVs was driven by a low-double digit decline in unit sales and a mid-single digit price decline as the industry continued to experience softness during the quarter. These declines were partially offset by a low double-digit comparable store sales increase in mobile phones, driven primarily by an increase in the mix of smart phone sales and a mid-single digit increase in mobile computing, driven by strength in tablet computers. The company also noted that its Domestic online revenue increased 7 percent in the fiscal third quarter versus the prior-year period.

The company estimates that its domestic market share declined 110 basis points versus the comparable period last year for the three months ended October 31, 2010. The decline was driven primarily by declines in TVs, mobile computing and gaming software. Based on fiscal year-to-date trends, the company now estimates that its domestic market share will decline for the full fiscal year as compared to the prior fiscal year.

* * *

The company's gross profit rate for the fiscal third quarter was 25.1 percent of revenue, an increase of 60 basis points when compared to the third quarter of fiscal 2010. The Domestic segment gross profit rate for the fiscal third quarter was 25.0 percent, compared to 24.1 percent for the prior-year period. The 90 basis point year-over-year increase in the gross profit rate was due primarily to continued growth in Best Buy Mobile and improved promotional effectiveness due to lower costs in financing programs and improved pricing strategies. Additionally, consistent with the first half of the fiscal year, the classification of certain vendor support dollars from selling, general and administrative expenses (SG&A) contributed favorably to the margin rate gain . . .

During the third quarter, Best Buy's SG&A dollar spend increased 1 percent year-over-year to $2.6 billion. The slight increase reflected the net addition of new stores over the past 12 months, partially offset by lower incentive compensation costs versus last year. The company's SG&A rate for the fiscal third quarter was 21.8 percent of revenue, an increase of 50 basis points when compared to the prior-year period. The rate increase was driven primarily by sales deleverage.

Best Buy's operating income in the fiscal third quarter increased 2 percent to $385 million compared with operating income of $376 million in the prior-year period. The Domestic segment reported fiscal third quarter operating income of $340 million, a decrease of 4 percent when compared with operating income in the prior-year period.

* * *

Stock Repurchase and Dividend

During the third quarter of fiscal 2011, the company repurchased approximately $420 million, or 11 million shares of its common stock at an average price of $38.69 per share. For the first nine months of fiscal 2011, the company repurchased approximately $1.1 billion, or 31 million shares of its common stock at an average price of $36.68 per share. The company estimates that the share

> repurchase completed fiscal year-to-date had an approximately $0.03 favorable impact to the fiscal third quarter's diluted EPS. The company also noted that it has $1.4 billion remaining capacity under its existing share repurchase authorization as of the end of the fiscal third quarter. On October 5th, 2010, the company paid a dividend of $0.15 per common share, or $60 million in the aggregate.
>
> **Fiscal 2011 Guidance**
>
> ***"Fiscal third quarter domestic sales were softer than we expected,*** but we were very pleased with the continued strong gross margin performance and actions to lower variable expenses," said Jim Muehlbauer, Best Buy's executive vice president of finance and CFO. ***"Based on lower than expected sales and earnings in the fiscal third quarter, and given our current visibility to potential outcomes in the fiscal fourth quarter, we now expect annual earnings to be below our previous fiscal 2011 EPS guidance.*** There remains a significant amount of business still ahead of us in the holiday selling season and we don't have complete visibility to how customers will behave over the next several weeks. ***However, our best view today is that we now expect annual EPS in the range of $3.20 to $3.40." The company noted that this new guidance range includes the favorable impact of share repurchases made year-to-date through the end of the fiscal third quarter which approximates $0.12.*** [Emphasis added.]

29. Following this press release, Best Buy conducted a held a conference call with investors and financial analysts. During the call, defendants Dunn and Muehlbauer stated the following:

> [Dunn]: ***Our sales in the US, however, were lower than we expected for the quarter. And as a result, earnings were less than we anticipated. I'll walk you through the reasons for this as we see them, starting with a few thoughts on Black Friday weekend*** . . .
>
> Another bright spot was our online channel, which had more than 14 million site visits from Thanksgiving through cyber Monday, and delivered low double-digit comp sales growth for the period. Here are the facts. ***Our forecast and the forecasts of the vendor community were looking for an improvement in the TV industry in the third quarter, supported by a more promotional environment and pent-up consumer demand for new technologies. While we did see sequential month-to-month improvement in our TV business, the quarterly results fell below our expectations. In fact, estimates show the TV market was down double digits in value terms in the third quarter. We think this was driven by a weaker overall demand environment for TV, along with slower adoption of new technologies.***

Current products have proliferated this year, in part due to a significant increase in channels of distribution. Much of the industry's promotional activity in TVs this quarter was centered on third-tier brands as loss leaders. Our value proposition is based on the best selection of the world's greatest brands, with leading-edge technology and great prices. ***The newer technologies, like 3D and IPTV, which we assort more broadly than anyone, have been slower to take hold***. . . .

Next, I would like to talk about mobile computing. ***The notebook market was weaker than we expected, and we estimate the notebook market declined year-on-year***. . . . ***The gaming sector lagged our expectations.***

* * *

[Muehlbauer]: As you noticed in our release this morning, ***the single largest driver of our softer-than-expected performance in the quarter was the comparable store sales decline in the domestic segment.***

* * *

During the quarter, we also continued our share repurchase activity, acquiring $420 million, or 11 million shares. This brings our year-to-date total to more than $1.1 billion, or roughly 31 million shares, which is nearly 7% of the Company. We estimate that repurchase activity had a $0.03 favorable impact to our third-quarter EPS. Given the shares repurchased year-to-date, this fiscal year will be the second largest year of repurchase activity in the history of the Company. We continued to see share repurchases as an important element of improving our returns for shareholders over time.

With that overview of the third quarter complete, I would like to turn the discussion to our expectations for the balance of the fiscal year. One of the inherent challenges of having a fiscal quarter that ends right after the Thanksgiving holiday is that we are right in the middle of the holiday selling season and only have partial visibility to customer behaviors. ***Based on the shortfall to sales and earnings experienced in the third quarter, combined with the current visibility we have to potential outcomes in the fourth quarter, we now expect annual diluted EPS in the range of $3.20 to $3.40 for fiscal 2011. This amount includes a roughly $0.12 impact of share repurchases made year-to-date through the end of the third fiscal quarter.***

* * *

What we're learning now, as we have seen the customer play out, is that ***our top-line growth assumptions earlier in the year turned out to be too aggressive, based on the environment that we see for demand, specifically in the TV industry, and the continuing industry overall.*** And we're getting the activity that we wanted to get out of the margin expansion overall. [Emphasis added.]

30. On this news, shares of the Company's stock fell $6.18 per share, or 14.82

percent, to close on December 14, 2010 at $35.52 per share, on unusually heavy trading volume. Best Buy's stock continued to decline the following day, falling an additional $1.02 per share, to close on December 15, 2010 at $34.50 per share.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

31. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased Best Buy securities during the Class Period (the "Class"). Excluded from the Class are defendants, directors and officers of Best Buy and their families and affiliates.

32. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. According to the Company's Form 10-K filed with the SEC on April 28, 2010, Best Buy had over 421 million shares of stock outstanding, owned by thousands of persons.

33. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

(a) Whether the Securities Exchange Act was violated by defendants;

(b) Whether defendants omitted and/or misrepresented material facts;

(c) Whether defendants' statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(d) Whether defendants knew or recklessly disregarded that their statements were false and misleading;

(e) Whether the prices of Best Buy securities were artificially inflated; and

(f) The extent of damage sustained by Class members and the appropriate measure of damages.

34. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

35. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

36. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

LOSS CAUSATION/ECONOMIC LOSS

37. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class. The price of Best Buy's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses. As a result of their purchases of Best Buy securities during the Class Period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

SCIENTER ALLEGATIONS

38. During the Class Period, the defendants had both the motive and opportunity to commit fraud. They also had actual knowledge of the misleading nature of the statements they made or acted in reckless disregard of the true information known to them at the time. In so doing, the defendants participated in a scheme to defraud and committed acts, practices and

participated in a course of business that operated as a fraud or deceit on purchasers of Best Buy's securities during the Class Period.

Applicability of Presumption of Reliance:
Fraud on the Market Doctrine

39. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine in that, among other things:

(a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

(b) The omissions and misrepresentations were material;

(c) The Company's securities traded in an efficient market;

(d) The misrepresentations alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and

(e) Plaintiff and other members of the Class purchased Best Buy securities between the time defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

40. At all relevant times, the market for Best Buy securities was efficient for the following reasons, among others: (a) as a regulated issuer, Best Buy filed periodic public reports with the SEC; and (b) Best Buy regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the major news wire services and through other wide-ranging public disclosures, such as communications with the financial press, securities analysts and other similar reporting services.

NO SAFE HARBOR

41. Defendants' verbal "Safe Harbor" warnings accompanying its oral forward-looking statements ("FLS") issued during the Class Period were ineffective to shield those statements from liability.

42. The defendants are also liable for any false or misleading FLS pleaded because, at the time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was authorized and/or approved by an executive officer of Best Buy who knew that the FLS was false. None of the historic or present tense statements made by defendants were assumptions underlying or relating to any plan, projection or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by defendants expressly related to or stated to be dependent on those historic or present tense statements when made.

FIRST CLAIM
Violation of Section 10(b) of The Exchange Act and Rule 10b-5
Promulgated Thereunder Against All Defendants

43. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

44. During the Class Period, Best Buy and the Individual Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase Best Buy securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, these defendants, and each of them, took the actions set forth herein.

45. Best Buy and the Individual Defendants: (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Best Buy securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. These defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons.

SECOND CLAIM
Violation of Section 20(a) of
The Exchange Act Against the Individual Defendants

46. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

47. The Individual Defendants acted as controlling persons of Best Buy within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or

cause the statements to be corrected.

48. In particular, each of the Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore are presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

49. As set forth above, Best Buy and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of these defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

(a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;

(b) Awarding compensatory damages and equitable relief in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: March 17, 2011

Respectfully submitted,

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CERTIFICATION

I, **Rene LeBlanc**, ("Plaintiff") declare, as to the claims asserted under the federal securities laws, that:

1. Plaintiff has reviewed the Complaint, and authorizes its filing.

2. Plaintiff did not purchase the security that is the subject of this action at the direction of Plaintiff's counsel or in order to participate in any private action.

3. Plaintiff is willing to serve as a representative party on behalf of the class, either individually or as part of a group, including providing testimony at deposition and trial, if necessary.

4. Plaintiff's purchase and sale transaction(s) in the **Best Buy Co., Incorporated (NYSE: BBY)** security that is the subject of this action during the Class Period is/are as follows:

Type of Security (common stock, preferred, option, or bond)	Number of Shares	Bought (B)	Sold (S)	Date	Price per share
COMMON STOCK	300	X		09-15-2010	36.808
See Attached	300		X	11-09-2010	44.00
	300	X		11-18-2010	43.42
	300		X	02-10-2011	33.87

(Please list additional purchase and sale information on a separate sheet of paper, if necessary)

5. Plaintiff has complete authority to bring a suit to recover for investment losses on behalf of purchasers of the subject securities described herein (including plaintiff, any co-owners, any corporations or other entities, and/or any beneficial owners).

6. During the three years prior to the date of this Certification, Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws except as described below:______________________.

7. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the Court.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 12 day of MARCH, 2010.

Rene LeBlanc

RENE LEBLANC